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## When Concerted Conduct Leads to Misuse: An Examination of the Federal Circuit's En Banc Holding in *Princo*

Jerrad T. Howard<sup>1</sup>

### INTRODUCTION

“IT is both curious and deeply troubling that, in an age of intellectual property (“IP”) expansionism, the one doctrine explicitly concerned with limiting IP overreaching has no coherent basis in IP policy.”<sup>2</sup> This succinct statement details the tragedy that plagues the patent misuse doctrine in its current state.

The doctrine was originally developed to rein in abusive conduct of patent holders. Though the doctrine initially was applied widely by courts, academics today question the continuing validity of even a narrow application of the doctrine.<sup>3</sup> In fact, many believe the Federal Circuit Court of Appeal’s en banc holding in *Princo Corp. v. ITC*<sup>4</sup> places a final nail in the doctrine’s coffin and indicates that the once powerful defense is now a superfluous remnant of our country’s jurisprudence.<sup>5</sup>

The misuse doctrine, born a creature of patent law and modeled after the doctrine of unclean hands, was an affirmative defense intended to prevent further monopolization—either temporally or physically—than

1 Juris Doctor, May 2012, University of Kentucky College of Law; BS in Accounting and BA in Political Science, *summa cum laude*, May 2009, University of Kentucky.

2 Christina Bohannon, *IP Misuse at Foreclosure*, 96 IOWA L. REV. 475, 476 (2011) (citation omitted).

3 See Robert J. Hoerner, *Patent—Antitrust: Dead or Alive? Patent Misuse: Portents for the 1990s*, 59 ANTITRUST L.J. 687 (1991).

4 *Princo Corp. v. Int’l Trade Comm’n*, 616 F.3d 1318, 1329–30 (Fed. Cir. 2010) (en banc), *cert. denied*, 131 S. Ct. 2480 (2011).

5 See KEVIN M. BOLAN & STEFAN M. MEISNER, EN BANC FEDERAL CIRCUIT ADDRESSES PATENT MISUSE (2010), available at [http://www.mwe.com/index.cfm/fuseaction/publications.nldetail/object\\_id/1e347ae2-8876-45ac-8cd7-563b2475c813.cfm](http://www.mwe.com/index.cfm/fuseaction/publications.nldetail/object_id/1e347ae2-8876-45ac-8cd7-563b2475c813.cfm) (“A majority of the Federal Circuit appears to be increasingly suspicious of the [patent misuse] doctrine’s vitality . . . .”); see also Eric Bensen, *Bensen on the Patent Misuse*: *Princo Corp. v. ITC*, EMERGING ISSUES (LexisNexis), Oct. 2010 (“[D]efendants asserting misuse as a defense have not fared [sic] well in recent years in appellate decisions . . .”).

that already allowed by the United States government in the Patent Act.<sup>6</sup> The main premise behind the doctrine was that “[h]e who uses his patent to obtain protection from competition in the sale of unpatented materials extends by contract his patent monopoly to articles as [sic] respects which the law sanctions neither monopolies nor restraints of trade.”<sup>7</sup> A condition placed upon the licensing of a patent is not *prima facie* misuse; rather, only those conditions that derive some value to which the patent holder was not entitled from the initial monopoly qualify.<sup>8</sup> The result of a defendant proving patent misuse in an infringement action is that a patent is rendered temporarily unenforceable, though not void, until the effects of such misuse are no longer present in the market.<sup>9</sup>

Though this doctrine could have developed into a very strong element of patent law—an element that is sorely needed to rein in improper patent practices—recent court applications have inherently decimated its value. While patent misuse was created by the Supreme Court as a general affirmative defense to a claim of infringement, today’s courts maintain that the patent misuse doctrine was always intended to be narrow in application.<sup>10</sup> With very few exceptions, patent misuse has been limited to infringement cases.<sup>11</sup> Ironically, the *Princo* decision comes at a time

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6 Bohannon, *supra* note 2, at 477; see also Thomas F. Cotter, *Misuse*, 44 Hous. L. Rev. 901, 901 (2007) (stating that “misuse is a defense to a claim of patent or copyright infringement . . . [claiming that the] plaintiff has attempted to broaden the scope of her intellectual property rights (IPRs) with an anticompetitive effect”). “The classic case [of patent misuse] involved the tying of patented and unpatented goods – that is, the seller’s requirement that one could not purchase or lease the patented product without also taking unpatented products or services as well.” Bohannon, *supra* note 2, at 476; see, e.g., *Carbice Corp. v. Am. Patents Dev. Corp.*, 283 U.S. 27, 33 (1931) (demonstrating patent misuse when plaintiff would only license his patented machine if the defendant would agree to purchase unpatented dry ice to use in the machine from plaintiff).

7 *Transparent-Wrap Mach. Corp. v. Stokes & Smith Co.*, 329 U.S. 637, 644 (1947); see also *Princo Corp.*, 616 F.3d at 1327 (stating “the Supreme Court established the basic rule of patent misuse: that the patentee may exploit his patent but may not ‘use it to acquire a monopoly not embraced in the patent’” (citing *Transparent-Wrap Mach. Corp.*, 329 U.S. at 643)); *Burlotte v. Thys Co.*, 379 U.S. 29, 33–34 (1964) (holding that the doctrine’s reasoning applies equally to exacting royalties in a contract after a patent has expired).

8 *Gen. Talking Pictures Corp. v. W. Elec. Co.*, 304 U.S. 175, 181 (1938) (stating “[p]atent owners may grant licenses extending to all uses or limited to use in a defined field”). Such conditions which limit the field of the license are in stark contrast to those which are patent misuse. Cf. *Princo Corp.*, 616 F.3d at 1329 (drawing the line of distinction between valid conditions and those items which violate public policy, such as “price-fixing conditions and tying restraints”).

9 Robert J. Hoerner, *Patent Misuse: The Law Changes*, J. PROPRIETARY RTS., Feb. 1989, at 10.

10 *Princo Corp.*, 616 F.3d at 1321 (stating that “patent misuse is a judge-made doctrine . . . [that] has not [been] applied . . . expansively”).

11 For instance, the defense of misuse is available in a contract dispute involving the breach of a patent licensing agreement. See Bohannon, *supra* note 2, at 477–78 (citing *Thys Co. v. Brulotte*, 382 P.2d 271 (Wash. 1963)).

when some argue that the patent system has become a “hindrance . . . to innovation” and that the “Federal Circuit . . . [is] ma[king] it easier to enforce the rights conferred by the acquisition of a patent.”<sup>12</sup>

It is the purpose of this Note to establish that the recent *Princo* en banc opinion violates the spirit and primary policy behind the patent misuse doctrine. Although the Supreme Court denied *Princo*’s petition for certiorari,<sup>13</sup> this Note advocates a reversal of the en banc holding and a wider application of the patent misuse doctrine in an attempt to eliminate current abusive practices.

Part I will review the Federal Circuit’s en banc majority, concurring, and dissenting opinions in *Princo*, while Part II discusses the historical development of the misuse doctrine and whether the recent restriction of the doctrine is appropriate in light of the Supreme Court’s continued expansion of and Congress’s limited actions to cabin the doctrine. Part III discusses the en banc’s new insurmountable legal standard for misuse, the standard that should be applied in misuse cases, and why the underlying policies of the patent misuse doctrine serve as a basis for a more expansive doctrine than that proposed by the Federal Circuit. This Note concludes that the patent misuse doctrine should have a more expansive application than currently accepted by the Federal Circuit and, specifically, that the doctrine should apply to the type of conduct alleged as patent misuse in *Princo*, so as to eliminate abuse of the patent system undermining the purpose of the Patent Clause.

## I. THE FEDERAL CIRCUIT’S EN BANC HOLDING IN *PRINCO*

*Princo Corp. v. ITC* has a long and complicated history, primarily because the litigation has been active for many years, already resulting in several pivotal holdings.<sup>14</sup> This Note, however, is limited to only those issues presented in the recent en banc opinion—that is, whether the Federal Circuit majority was correct in concluding that Philips’s actions did not in fact constitute patent misuse.

The infringement action involved two patents owned by Philips Corporation, collectively referred to as the Raaymakers patents;<sup>15</sup> the patents claimed a method for encoding data on the particular grooves of a

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<sup>12</sup> Marshall Leaffer, *Patent Misuse and Innovation*, 10 J. HIGH. TECH. L. 142, 143–44 (2010).

<sup>13</sup> *Princo Corp. v. Int’l Trade Comm’n*, 131 S. Ct. 2480 (2011) (denying *Princo*’s certiorari petition). For a copy of *Princo*’s certiorari petition, see Petition for Writ of Certiorari, *Princo Corp. v. Int’l Trade Comm’n*, No. 10–898 (Jan. 5, 2011), 2011 WL 86647.

<sup>14</sup> See generally David F. Ryan, *Princo v. ITC and the FTC’s Radical Analytical Framework*, PATENTLYO, 1 (Mar. 1, 2010), <http://www.patentlyo.com/princo.davidfryan.pdf> (discussing the history of the case and prior holdings).

<sup>15</sup> The Raaymakers patents are U.S. Patent No. 4,999,825 (filed Nov. 1, 1988) and U.S. Patent No. 5,023,856 (filed Mar. 28, 1990). Both patents are expired.

CD-R/RW utilizing analog methods.<sup>16</sup> The Raaymakers patents eventually became part of an industry standard, termed the Orange Book, which was developed as a result of a joint venture between Philips and Sony.<sup>17</sup> The Orange Book resulted in a very successful licensing program through which various patents necessary to create industry-compatible CD-R/RWs were pooled into a single tying arrangement.<sup>18</sup> Also included in the Orange Book was the Lagadec patent,<sup>19</sup> which claimed an alternative method for encoding CD-R/RW discs utilizing digital technology.<sup>20</sup> The Lagadec patent was developed independently and patented by Philips's competitor, Sony.<sup>21</sup> Today, all CD-R/RW compact discs follow the Orange Book specifications.<sup>22</sup>

Princo was initially a licensee of the Orange Book patent pool, but eventually stopped paying royalty fees to Philips. Philips filed suit, alleging infringement of the Raaymakers patents because Princo continued to utilize the technology despite the lapse of the license agreement. Princo pled the affirmative defense of patent misuse under the theory that Philips had utilized the Raaymakers patents to form a horizontal conspiracy with Sony, with the end result being the suppression of the Lagadec patent; this, Princo claimed, prevented the Lagadec patent from becoming a viable alternative, competing technology to the Raaymakers patents.<sup>23</sup>

In the Federal Circuit Court of Appeals' original holding, the panel determined that the relationship between Sony and Philips did not equate to an illegal tying arrangement constituting misuse.<sup>24</sup> Specifically, the court held that it was reasonable for Philips' to believe the Lagadec patent was

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16 *Princo Corp. v. Int'l Trade Comm'n*, 616 F.3d 1318, 1322 (Fed. Cir. 2010) (en banc), cert. denied, 131 S. Ct. 2480 (2011).

17 *Id.*

18 See James Love & James Kulbaski, *Federal Circuit Issues Decision in Princo En Banc Rehearing*, ITC 337 LAW BLOG (Sept. 3, 2010), <http://www.itcblog.com/20100903/federal-circuit-issues-decision-in-princo-en-banc-rehearing> (discussing the underlying pooling agreement). But see Ryan, *supra* note 14, at 4 n.10 (noting that it is "technically incorrect to refer to the Orange Book licensing program as a 'patent pool', [sic] since there was no 'pooling' of the underlying patents under the ownership of a single licensing entity").

19 The Lagadec Patent is U.S. Patent No. 4,942,565 (filed July 28, 1989). The Lagadec patent has also expired.

20 *Princo Corp.*, 616 F.3d at 1322. But see Ryan, *supra* note 14, at 5 (stating that "claim [six] of Lagadec was sufficiently broad to read [in] . . . the Raaymakers technology").

21 *Princo Corp.*, 616 F.3d at 1322.

22 Ryan, *supra* note 14, at 5.

23 See *Princo Corp.*, 616 F.3d at 1325 (noting that *Princo Corp. v. Int'l Trade Comm'n*, 563 F.3d 1301 (Fed. Cir. 2009) [hereinafter *Princo I*], did not address Princo's allegation that "Philips and Sony agreed to suppress the Lagadec technology" or the anticompetitive ramifications of such an agreement); see also Ryan, *supra* note 14, at 2 n.7 (stating that "[t]he actual terms of the arrangements between Sony and Philips regarding the Lagadec patent cannot be discerned from the public record").

24 *Princo I*, *supra* note 23, at 1312.

a blocking patent and thus was “an essential patent for purposes of the Orange Book pool.”<sup>25</sup> The court concluded, however, that if Sony and Philips had engaged in patent pooling in an attempt to suppress a commercially viable alternative technology from ever developing, then such behavior would constitute patent misuse.<sup>26</sup> *Princo I*’s holding was limited, stating that agreements between competitors may be acceptable and deemed pro-competitive even if the patent is only arguably blocking.<sup>27</sup> The court reasoned that “[n]ot only will judicial economy be served and litigation costs reduced by settling such disputes, but the delay and uncertainty associated with blocking patent disputes may prevent either party from going forward with a commercial product for years.”<sup>28</sup> Whether such an agreement existed and whether the Lagadec patent could be considered a commercially viable alternative technology both remained issues for the International Trade Commission to determine on remand.<sup>29</sup> Though Philips, Princo, and the ITC all petitioned for rehearing, the Federal Circuit only accepted Philips’s and the ITC’s petitions to address whether such an agreement between Philips and Sony could in fact constitute patent misuse.<sup>30</sup>

The Federal Circuit, sitting en banc, reversed its initial holding in *Princo I* and ruled that the alleged horizontal agreement could not be the basis of a claim of patent misuse, stating that even if such an agreement existed it “had no bearing on the physical or temporal scope of the patents in suit, nor did it have anticompetitive effects in the relevant market.”<sup>31</sup> The Federal Circuit based its decision on both a narrow interpretation of the patent misuse doctrine<sup>32</sup> as well as the Patent Licensing Reform Act, which the court viewed as Congress’s attempt to “cabin” the patent misuse doctrine.<sup>33</sup> The court’s primary reasoning for rejecting Princo’s allegations

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25 *Id.* (internal quotation marks omitted) (citing *U.S. Philips Corp. v. Int’l Trade Comm’n*, 424 F.3d 1179, 1196 (Fed. Cir. 2005)). “[A] blocking patent is one that at the time of the license an objective manufacturer would believe reasonably might be necessary to practice the technology at issue.” *Id.* at 1310.

26 *Id.* at 1318–19.

27 *See id.* at 1310 (quoting 3 HERBERT HOVENKAMP ET AL., IP AND ANTITRUST, § 3.3, at 36 (2d ed. 2009)). It appears *Princo I* and Hovenkamp support the conclusion that even if patents are not blocking at all, the underlying agreement to suppress the competing technology would be acceptable.

28 *Id.*

29 *Id.* at 1321.

30 *Princo Corp. v. Int’l Trade Comm’n*, 616 F.3d 1318, 1326 (Fed. Cir. 2010) (en banc), cert. denied, 131 S. Ct. 2480 (2011).

31 *Id.* at 1340.

32 *Id.* at 1329 (“Recognizing the narrow scope of the doctrine, we have emphasized that the defense of patent misuse is not available to a presumptive infringer simply because a patentee engages in some kind of wrongful commercial conduct, even conduct that may have anticompetitive effects.” (citing *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1373 (Fed. Cir. 1998))).

33 *Id.* at 1329–30 (citing *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 201

of patent misuse was that Philips did not assert that the Lagadec patent was infringed in the underlying action; therefore, because the Lagadec patent was not the patent in suit, an agreement to suppress technology covered by that patent could not be the subject of the misuse defense.<sup>34</sup>

The Federal Circuit also made clear the patent misuse doctrine requires a defendant demonstrate that the patentee's actions yield anticompetitive effects.<sup>35</sup> This would have required Princo prove that "if Sony's [Lagadec patent] were not included in the licenses, Sony likely would have developed technologies that competed against the Orange Book standard in a relevant market,"<sup>36</sup> and that such misuse resulted in "anticompetitive effects necessary to condemn that agreement under rule-of-reason analysis."<sup>37</sup> The court also found no evidence in the record that the patents were close substitutes or that the pool licensors would have competed in the technology licensing market.<sup>38</sup> Underlying the Federal Circuit's holding also was its reliance on the ITC's prior conclusions that the Lagadec technology did not work well and could not compete with the Orange Book technology.<sup>39</sup>

In addition, two concurring members of the en banc panel found that a finding of patent misuse was not appropriate because Princo failed to prove the existence of any agreement with anticompetitive effects.<sup>40</sup> These panel members felt that failure to meet this burden was dispositive, and thus refused to render any judgment on the scope of the patent misuse doctrine.<sup>41</sup> In fact, the concurrence criticized both the majority and

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(1980)) (referring to 35 U.S.C. § 271(d) (2006)). In particular, the court believed Congress's intent behind section 271(d) "was [to address] concern[ ] about the open-ended scope of the doctrine and [therefore] sought to confine it to anticompetitive conduct by patentees who leverage their patents to obtain economic advantages outside the legitimate scope of the patent grant." *Id.* at 1331.

34 *Id.* at 1331. "What [patent misuse] requires, at minimum, is that the patent in suit must 'itself significantly contribute[ ] to the practice under attack.'" *Id.* (alteration in original) (quoting *Kolene Corp. v. Motor City Metal Treating, Inc.*, 440 F.2d 77, 85 (1971)) (internal quotation marks omitted).

35 *Id.* at 1334.

36 *Id.* at 1338 (alteration in original).

37 *Id.* at 1340; see also Crowell & Moring, *Federal Circuit's En Banc Princo Decision Limits Patent Misuse Doctrine*, ANTITRUST L. ALERT (Sept. 2, 2010), <http://www.crowell.com/NewsEvents/Newsletter.aspx?id=1550> (stating that the court affirmed "that a claim of patent misuse requires proof that the patentee's conduct resulted in anticompetitive effects"). Crowell and Moring also note that this is interesting given that the court's analysis seems to indicate that any future successful patent misuse cases will establish an antitrust claim. *Id.*

38 *Princo Corp.*, 616 F.3d at 1324. Some authors have claimed that Sony's Lagadec patent was merely an inferior alternative technology "that was rejected by the two joint venturers on technical grounds." Ryan, *supra* note 14, at 5.

39 *Princo Corp.*, 616 F.3d at 1326.

40 *Id.* at 1340 (Prost, J., concurring).

41 *Id.* at 1341.

dissenting opinions, stating they “doubt that the doctrine is as narrow or expansive as each respectively suggests.”<sup>42</sup> Additionally, the concurrence takes exception to the majority’s view that antitrust and patent misuse issues are mutually exclusive, suggesting instead that use of a patent which violates antitrust law also seems to suggest the patent owner has misused their patent.<sup>43</sup> The concurrence also refused to side with the dissent’s argument as well, claiming the argument was unpersuasive because “the dissent does not address how a patent owner’s right to *exclude* others from using the invention could . . . affect the calculus in the antitrust and patent misuse contexts.”<sup>44</sup>

Two dissenting judges claimed that the majority’s opinion directly contradicts the Supreme Court’s view of patent misuse, stating the majority’s opinion “emasculate[d] the doctrine so that it will not provide a meaningful obstacle to patent enforcement.”<sup>45</sup> The dissenters focused primarily on the Supreme Court’s recent opinion in *Illinois Tool Works, Inc. v. Independent Ink, Inc.*<sup>46</sup> and heavily criticized the result of the majority’s opinion: a deeply weakened patent misuse doctrine with limited application, if not outright judicial abolishment of the doctrine.<sup>47</sup> In discussing the majority’s view that the Lagadec patent was not the patent in suit, the dissent argued that, under current law, the agreement between Philips and Sony made the two patents “*part and parcel of the same course* of conduct designed to protect the Raaymakers patents from competition from the alternative Lagadec technology” and therefore the improper use of the Lagadec patents constituted misuse of the Raaymakers patents as well.<sup>48</sup>

The dissent focused on an antitrust analysis, examining the anticompetitive effects of the agreement between Philips and Sony.<sup>49</sup> Though the dissent conceded that the burden of proving patent misuse rested on Princo, it believed that Princo’s satisfied its burden by establishing an agreement to suppress competitive technology existed.<sup>50</sup> The dissent also believed that no industry analysis was necessary to demonstrate the anticompetitive nature of the arrangement between Sony and Philips because the relationship was “inherently suspect.”<sup>51</sup>

In addition, the dissent attacked the majority’s requirement that the

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42 *Id.* at 1340.

43 *Id.* (internal quotation marks omitted).

44 *Id.* at 1340–41 (emphasis in original).

45 *Id.* at 1341–42 (Dyk, J., dissenting); Ryan Davis, *Fed. Circ. Narrows Scope of Patent Misuse Defense*, L. 360 (Aug. 30, 2010), [www.law360.com/web/articles/190264](http://www.law360.com/web/articles/190264).

46 *Ill. Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 42 (2006).

47 *Princo Corp.*, 616 F.3d at 1341–42.

48 *Id.* at 1346 (emphasis added).

49 *Id.*

50 *Id.* at 1353.

51 *Id.* (quoting *NCAA v. Bd. of Regents of the Univ. of Okla.*, 468 U.S. 85, 109 (1984)).



technology must have been shown to be commercially viable.<sup>52</sup> Though the two panelists concluded that “proof . . . the Lagadec technology could *never* become commercially viable might be sufficient to defeat an antitrust violation,” the dissent noted that the ITC found only that the Lagadec technology’s viability was merely “*doubtful*.”<sup>53</sup> The dissent condemned the result of the majority opinion as “fail[ing] to provide adequate protection against the suppression of nascent technology, and allow[ing] patent holders free rein to prevent the development of potentially competitive technologies.”<sup>54</sup>

The en banc opinion in *Princo* has met mixed reviews among practitioners and academics alike. Some practitioners have hailed the opinion as “underscor[ing] the broad protection afforded patent holders when licensing their patents.”<sup>55</sup> The holding has also been revered as adding much needed clarification to the patent misuse doctrine<sup>56</sup> by establishing a clearer delineation between patent misuse and the antitrust arenas.<sup>57</sup> Alternatively, some feel the majority’s opinion has serious limitations in its applicability—the broad brushstrokes of the Federal Circuit may not apply in other cases where clearer facts establish a similar agreement.<sup>58</sup> Others have noted that the court’s holding provides protection for entities that conspire to suppress technologies from a claim of misuse, even though such conduct could constitute antitrust violations.<sup>59</sup>

Scholars immediately predicted that the hard lines drawn by the court’s factions would ensure that the en banc opinion would not be the final word on the matter.<sup>60</sup> However, the Supreme Court denied *Princo*’s certiorari petition in May 2011, so, it seems the Federal Circuit’s en banc opinion will be the last word on the issue for the time being.<sup>61</sup>

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<sup>52</sup> *Id.* at 1356.

<sup>53</sup> *Id.* at 1357 (emphasis added).

<sup>54</sup> *Id.*

<sup>55</sup> Crowell & Moring, *supra* note 37.

<sup>56</sup> BOLAN & MEISNER, *supra* note 5 (“Some commentators have hailed the majority opinion in *Princo* as providing clearer instructions to patent pool administrators about how to structure their licensing activity . . .”).

<sup>57</sup> Crowell & Moring, *supra* note 37 (“While patent misuse is often thought of as co-extensive [sic] with antitrust, *Princo* confirms otherwise.”).

<sup>58</sup> See BOLAN & MEISNER, *supra* note 5 (“It is conceivable that an accused infringer with a more substantial factual record might be able to prove some enlargement of the patent scope and an anticompetitive effect under traditional antitrust rule-of-reason analysis based on the same alleged conduct.”).

<sup>59</sup> Dennis Crouch, *Federal Circuit Holds-Line on Patent Misuse Defense*, PATENTLYO (Aug. 30, 2010), <http://www.patentlyo.com/patent/2010/08/federal-circuit-holds-line-on-patent-misuse-defense.html>.

<sup>60</sup> BOLAN & MEISNER, *supra* note 5; Christopher Norton, *Princo Takes Patent Misuse Case to Supreme Court*, L. 360 (Jan. 20, 2011), <http://www.law360.com/ip/articles/221159>.

<sup>61</sup> *Princo Corp. v. Int’l Trade Comm’n*, 131 S. Ct. 2480 (2011) (denying *Princo*’s certiorari

## II. HISTORICAL APPLICATION BY THE COURTS AND CONGRESS'S INTENT IN SECTION 271(D)

### A. *The Supreme Court Has Continuously Expanded the Patent Misuse Doctrine.*

The majority opinion claimed that the doctrine of patent misuse “has largely been confined to a handful of specific practices by which the patentee seemed to be trying to extend his patent grant beyond its statutory limits.”<sup>62</sup> This narrow interpretation, however, is not a product of the Supreme Court, but rather an idea generated by the Federal Circuit itself.<sup>63</sup> What the majority fails to recognize is that the Supreme Court has continuously expanded the patent misuse doctrine throughout its jurisprudence in an attempt to rein in anticompetitive conduct and abuse of intellectual property laws.

The doctrine was first mentioned in a 1917 Supreme Court decision involving tying<sup>64</sup>:

[T]he essential characteristic of an invalid tying arrangement lies in the seller's exploitation of its control over the tying product to force the buyer into the purchase of a tied product that the buyer either did not want at all, or might have preferred

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petition). *See generally* Petition for Writ of Certiorari, *Princo Corp. v. Int'l Trade Comm'n*, No. 10–898 (Jan. 5, 2011), 2011 WL 86647.

62 *Princo Corp. v. Int'l Trade Comm'n*, 616 F.3d 1318, 1329–30 (Fed. Cir. 2010) (en banc), cert. denied, 131 S. Ct. 2480 (2011) (citing *USM Corp. v. SPS Techs., Inc.*, 694 F.2d 505, 510 (7th Cir. 1982)).

63 Rather than supporting its opinion with Supreme Court precedent, the Federal Circuit instead cites non-binding precedent from other circuits: “[r]ecognizing the narrow scope of the doctrine, *we have emphasized* that the defense of patent misuse is not available to a presumptive infringer simply because a patentee engages in some kind of wrongful commercial conduct . . . .” *Princo Corp.*, 616 F.3d at 1329 (emphasis added) (citing *Kolene Corp. v. Motor City Metal Treating, Inc.*, 440 F.2d 77, 84–85 (6th Cir. 1971); *McCullough Tool Co. v. Well Surveys, Inc.*, 395 F.2d 230, 238–39 (10th Cir. 1968)). Scholars have also recognized that the Federal Circuit, rather than the Supreme Court, is responsible for the narrowing of the patent misuse doctrine. *See, e.g.*, Geoffrey D. Oliver, *Princo v. International Trade Commission: Antitrust Law and the Patent Misuse Doctrine Part Company*, ANTITRUST, Spring 2011, at 62 (“The en banc decision in *Princo* is the third in a series of decisions arising from a single ITC patent infringement investigation . . . [that] continu[e] the Federal Circuit's trend over the past twenty-five years of narrowing the patent misuse doctrine.” (emphasis added)).

64 *See* *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 518 (1917) (finding patent misuse where motion picture projector manufacturer placed notice on projector saying that the machine could not be used for films other than those made with the permission of the manufacturer). For additional examples of the Supreme Court's application of the patent misuse doctrine in tying cases, see, e.g., *Standard Oil Co. of Cal. v. United States*, 337 U.S. 293, 305–06 (1949); *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 664–66 (1944). For recent applications of the patent misuse doctrine, see *Blough v. Holland Realty, Inc.*, 574 F.3d 1084, 1088–89 (9th Cir. 2009); *U.S. Ring Binder L.P. v. World Wide Stationary Mfg. Co.*, 3:10 CV 2556, 2011 WL 3648289, at \*8 (N.D. Ohio Aug. 19, 2011); *In re Webkinz Antitrust Litig.*, 695 F. Supp. 2d 987, 995 (N.D. Cal. 2010).

to purchase elsewhere on different terms.<sup>65</sup>

In its initial application of the patent misuse doctrine, the Court held that a patentee could not condition the granting of a patent license on the licensee's use of the patented item with items that were not a part of the patent in suit.<sup>66</sup> "This decision marked the beginning of an extended period of development and fairly aggressive application of the patent misuse doctrine."<sup>67</sup>

In 1931, the Court extended the application of the patent misuse doctrine to contributory infringement actions.<sup>68</sup> This extension blocked a patent holder from requiring that a licensee purchase "unpatented materials used in connection with the invention . . . only from the licensor."<sup>69</sup> The Supreme Court expanded the doctrine further in 1964 to prevent a licensor from requiring a licensee to contract temporally beyond the protection period afforded by registration.<sup>70</sup>

The Supreme Court has only accepted a reduction in the application and analysis—not the scope—of the patent misuse doctrine when Congress prescribed the reduction. After Congress enacted section 271(d), the Court recognized that tying agreements can have pro-competitive justifications and thus rejected its prior notion that a "patent equals market power."<sup>71</sup> In addition, this minor change in precedent is not at all shocking when one considers the similar abolishment of *per se* rules in the antitrust regime over the past thirty years.<sup>72</sup> When considering this slight diminution in the application of the misuse doctrine, it seems that the Federal Circuit's original holding remanding the case for a factual determination of whether market dominance existed was the correct resolution.

What is missing from the Supreme Court's jurisprudence is the Federal Circuit's "leveraging" requirement—a requirement that the defendant show the patent in suit has been leveraged in some manner to extend the scope of his monopoly. In fact, Supreme Court precedent indicates that this

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<sup>65</sup> *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 12 (1984).

<sup>66</sup> *Id.*

<sup>67</sup> *Oliver, supra* note 63, at 62–63.

<sup>68</sup> *Carbice Corp. of Am. v. Am. Patents Dev. Corp.*, 283 U.S. 27 (1931).

<sup>69</sup> *Id.* at 31.

<sup>70</sup> *Brulotte v. Thys Co.*, 379 U.S. 29, 33–34 (1964).

<sup>71</sup> *Ill. Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 44–46 (2006); 35 U.S.C. § 271(d) (2006).

<sup>72</sup> *See, e.g., Leegin Creative Leather Prods., Inc. v. PSKS, Inc.*, 551 U.S. 877, 882 (2007) (reversing Supreme Court precedent that vertical price restraints are *per se* illegal); *Bus. Elecs. Corp. v. Sharp Elecs. Corp.*, 485 U.S. 717, 726 (1988) (affirming "a presumption in favor of a rule-of-reason standard," instead of one using "formalistic distinctions"); *Cont'l T. V., Inc. v. GTE Sylvania Inc.*, 433 U.S. 36, 57–59 (1977) (concluding that a *per se* rule cannot be based on a distinction between sale and non-sale transactions).

leveraging requirement is not required to establish misuse.<sup>73</sup>

In light of the Supreme Court's continued expansion of the doctrine, "[c]ourts [generally] have applied the patent misuse doctrine in response to practices that they perceive[ ] to be inequitable or unfair attempts to extend the scope of patents" and which are outside the scope of the antitrust regime.<sup>74</sup> Thus, the Court's precedent and the lower courts' application of the misuse doctrine are far less stringent than the Federal Circuit would currently admit.<sup>75</sup> Though the Court's application has been slightly modified as a result of the Patent Licensing Reform Act, the crux of the doctrine remains unscathed—any arrangement that improperly expands the patent monopoly constitutes patent misuse.<sup>76</sup> The doctrine should continue to be applied as the Supreme Court intended and not in the emasculated form into which the Federal Circuit has forced it.

*B. Congress Has Only Defined What Does Not Constitute Patent Misuse in Section 271(d).*

The Federal Circuit majority also grounds its assertion of a narrow doctrine in what the court claims was the legislative intent of section 271(d)—that is, the statute was intended "not to broaden the doctrine of patent misuse, but to cabin it."<sup>77</sup>

Contrary to the court's reasoning, Congress has only defined some specific activities that do *not* constitute patent misuse in section 271(d).<sup>78</sup> As such, section 271(d) is not nearly as broad as the majority advocates. What the majority cannot deny, although they try, is that section 271(d) does not prevent, or even address, a finding of misuse for concerted competitors who suppress potentially viable and competitive technology. Rather, the crux of the statutory provision is that it eliminates any per se presumption that ownership of a patent equals market power.<sup>79</sup>

The legislative history of section 271(d) also contains no support for the en banc Federal Circuit's application in *Princo*.<sup>80</sup> In fact, the legislative history expressly states that the purpose of the modification is to "eliminat[e] . . . a

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73 *United States v. Univis Lens Co.*, 316 U.S. 241, 251–52 (stating that "the particular form or method by which the monopoly is sought to be extended is immaterial").

74 *Oliver*, *supra* note 63, at 63 (citing *Intel Corp. v. ULSI Sys. Tech., Inc.*, 995 F.2d 1566, 1568 (Fed. Cir. 1993) (refusing to enforce patent where patentee charged royalty fees from both licensee and purchaser, thus violating the doctrine of patent exhaustion)).

75 *BOLAN & MEISNER*, *supra* note 5.

76 *United States v. U.S. Gypsum Co.*, 333 U.S. 364, 401 (1948).

77 *Princo Corp. v. Int'l Trade Comm'n*, 616 F.3d 1318, 1329–30 (Fed. Cir. 2010) (en banc), *cert. denied*, 131 S. Ct. 2480 (2011).

78 *See* 35 U.S.C. § 271(d) (2006); *Princo Corp.*, 616 F.3d at 1329.

79 *Ill. Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 42–43 (2006).

80 *See* 134 Cong. Rec. H10,647 (daily ed. Oct. 20, 1988) (statement of Rep. Kastenmeier).

per se or automatic inference of patent misuse from certain tying practices" and for refusals to use or license a particular patent.<sup>81</sup> The legislative history makes no mention of any intent of the enacted statute to insulate any other conduct from a claim of misuse. Additionally, it should be noted that Senate Bill 438 originally sought to intertwine the patent misuse doctrine with antitrust laws; however, the final version of the Patent Misuse Reform Act did not include these similar provisions to Senate Bill 438, indicating that Congress never intended that the patent misuse doctrine would become entirely superfluous against the antitrust regime.<sup>82</sup>

As already stated, *Princo I* concluded with a remand to the ITC for a determination of whether patent misuse existed, which required that the ITC find Philips maintained sufficient market power in the relevant industry. Thus, the initial holding comported with section 271(d). Congress makes no specific mention of the type of concerted activities at play in *Princo*. In fact, as the dissent correctly pointed out, conduct similar to that alleged by *Princo* is defined as patent misuse in the legislative history.<sup>83</sup> Therefore, the *Princo* majority's reliance on section 271(d) as a basis for a narrowing of the patent misuse doctrine is misguided.

### III. RESHAPING THE PATENT MISUSE DOCTRINE TO COVER HORIZONTAL CONSPIRACIES SIMILAR TO THAT ALLEGED IN *PRINCO*

"[P]atent misuse is . . . grounded in a broad policy-based desire to prevent a patentee from using the patent to obtain [a] market benefit beyond that which inheres in the statutory patent right."<sup>84</sup> The majority in *Princo* interpreted this broad policy as requiring the patent be leveraged in some manner, "i.e., the use of the patent power to impose overbroad conditions on the use of the patent in suit"<sup>85</sup> in an attempt "to exact concessions from a licensee that are not fairly within the ambit of the patent right."<sup>86</sup> This policy indicates a broad application of the misuse doctrine.

In contrast, however, the Federal Circuit's definition of what conduct

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<sup>81</sup> *Id.* at H10,648.

<sup>82</sup> See *id.* at H10,647; Richard Calkins, *Patent Law: The Impact of the 1988 Patent Misuse Reform Act and Noerr-Pennington Doctrine on Misuse Defenses and Antitrust Counterclaims*, 38 DRAKE L. REV. 175, 192-200 (1989).

<sup>83</sup> *Princo Corp.*, 616 F.3d at 1350-51. The legislative history specifically mentions that patent misuse includes conduct that, similar to horizontal conspiracies, constitutes antitrust violations, including price fixing, covenants not to compete, resale price maintenance, and grant-back licenses. 134 Cong. Rec. H10,647 (daily ed. Oct. 20, 1988) (statement of Rep. Kastenmeier). In addition, there is nothing in the Congressional Record indicating that the list provided by Representative Kastenmeier is intended to be exhaustive.

<sup>84</sup> *Princo Corp.*, 616 F.3d at 1328 (internal quotation marks omitted) (citing *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 704 (Fed. Cir. 1992)).

<sup>85</sup> *Id.* at 1331.

<sup>86</sup> *Id.* at 1333.

would constitute leveraging is quite narrow given the court's outright dismissal of *Princo's* allegations.<sup>87</sup> The alleged agreement in *Princo* was based on concerted efforts—a horizontal agreement among competitors.<sup>88</sup> These agreements are generally “treated much more harshly under the antitrust laws because they can facilitate collusion or, in the case of technology, keep superior products or processes off the market.”<sup>89</sup> The majority even recognized that *Princo's* brief contained allegations of Philips's leveraging of the Raaymakers patents.<sup>90</sup> But, the en banc majority rejected the sufficiency of these allegations.<sup>91</sup> Therefore, the question becomes what would be sufficient to establish that the patents were in fact inappropriately leveraged under the Federal Circuit's new standard?

A. *The Princo Holding Must Be Reversed Because It Establishes an Almost Insurmountable Legal Standard.*

The most interesting aspect of *Princo* is the visible impact of the Orange Book standards and the alleged suppression of the Lagadec patent on the modern media storage industry. The Federal Circuit dismisses the possibility that the Lagadec patent could have had any impact on the industry because the Lagadec patent “d[id] not work well according to the Orange Book standards,” was “prone to errors[,] and ‘did not provide a scheme that would work and was reliable.’”<sup>92</sup> It seems both the ITC and Federal Circuit believe themselves capable of predicting whether a patent encompassing new and innovative technology, whose testing is only in the preliminary stages of commercialization, will ultimately be successful.<sup>93</sup>

*Princo* yields a distressing conclusion: if a patentee can suppress a competitor's technology prior to its final development and successful deployment into the relevant market—thus preventing the technology

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<sup>87</sup> See *id.* at 1331–32.

<sup>88</sup> See *id.* at 1331.

<sup>89</sup> Christina Bohannon & Herbert Hovenkamp, *Concerted Refusals to License Intellectual Property Rights*, 1 HARV BUS. L. REV. ONLINE 21, 21 (2011) (internal citations omitted); see, e.g., *Allied Tube, Inc. v. Indian Head, Inc.*, 486 U.S. 492 (1988) (holding producers' agreement to exclude innovation from the industry to constitute an antitrust violation).

<sup>90</sup> See *Princo Corp.*, 616 F.3d at 1332. In particular, the majority stated that *Princo* alleged that Philips leveraged the Raaymakers patents in such a way as to encourage Sony to forego further development or independent licensing of the Lagadec patent in exchange for royalties derived from the licensing of the Raaymakers patents. *Id.*

<sup>91</sup> See *id.*

<sup>92</sup> *Princo Corp. v. Int'l Trade Comm'n*, 616 F.3d 1318, 1337 (Fed. Cir. 2010) (en banc), cert. denied, 131 S. Ct. 2480 (2011).

<sup>93</sup> *Id.* at 1338–39. The author finds this most interesting given the recent developments in digital technology that have taken the technology industry by storm, as well as the general phase-out of general analog technology. It appears that the current state of the industry requires one to question whether the Lagadec patent could have been a viable alternative, and ultimately a superior, product to the Raaymakers patents.

from being established as a viable alternative competing product—then the patentee can successfully land in a safe haven free from any claim of misuse.<sup>94</sup> Courts will instead turn a blind eye to this abusive conduct, despite the clear existence of leveraging to “increase” the scope of the patent.

If the *Princo* majority’s logic were plausible, how would any defendant ever successfully establish misuse unless the plaintiff alleging infringement responded with an admission that he suppressed the technology with the purpose of eliminating competition in the marketplace? Applying this court’s reasoning, no party could ever prove that any technology would develop into a viable alternative. One author noted the same: “Unless a new type of recordable or re-writable compact disc is backwards compatible with recorded and computer drive units already installed in the marketplace, it would not be expected to compete effectively.”<sup>95</sup> The dissent also highlighted this same flaw, stating that the “probable commercial validity” test adopted by the *Princo* majority has no support in prior precedent and has previously been *rejected* in both antitrust and misuse cases.<sup>96</sup>

This argument is not to deny the usefulness of patent pools and joint ventures that the Federal Circuit clearly feels the need to protect.<sup>97</sup> As best stated by the court, “Collaboration for the purpose of developing and commercializing new technology can result in economies of scale and integrations of complementary capacities that reduce costs, facilitate innovation, eliminate duplication of effort and assets, and share risks that no individual member would be willing to undertake alone . . . .”<sup>98</sup> There is a stark difference, however, between pooling patents to develop an industry through mutually agreeable and beneficial standards *and* outright, purposeful suppression of competing technology.<sup>99</sup> Even Philips’s counsel

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94 The dissent in *Princo* was incensed by the holding and the resulting emasculation of the patent misuse defense, finding that it ran counter to Supreme Court precedent. *See id.* at 1343 (Dyk, J., dissenting) (“Contrary to the majority, the Supreme Court cases establish that license agreements that suppress alternative technologies can constitute misuse of the patents for the protected technology, and the regional circuits have agreed.”). The suppression of technology that the *Princo* ruling allows directly contradicts “the unexceptional proposition that patent licensing schemes are illegal where they are used as part of a broader effort to fix prices and restrict competition.” HERBERT HOVENKAMP ET AL., *supra* note 27, § 3.3.

95 HERBERT HOVENKAMP ET AL., *supra* note 27, § 3.3.

96 *Princo Corp.*, 616 F.3d at 1356 (citing *Standard Oil Co. v. United States*, 337 U.S. 293, 309–10 (1949) (rejecting the requirement that a party proffer proof of the effect of unlawful practices in the antitrust context because it would be nearly impossible to meet); *Berlenbach v. Anderson & Thompson Ski Co.*, 329 F.2d 782 (9th Cir. 1964)).

97 *See Love & Kulbaski*, *supra* note 18 (“The ruling by the CAFC has shown that the CAFC recognizes the significant benefits provided by patent pooling agreements even to the point of promoting their use . . .”).

98 *Princo Corp.*, 616 F.3d at 1335.

99 It has been suggested that the patent system in its current form itself is partially to blame for encouraging companies to agree to noncompetitive arrangements and discourag-

admitted that there would be no pro-competitive aspects that would save two competitors' agreement to suppress competing technology as alleged by Princo.<sup>100</sup> The majority, however, seemed to disagree, or at least to lack measurable concern.

*B. The Patent Misuse Doctrine is an Extension of the Doctrine of Unclean Hands and Therefore Should Reflect the Same Standard.*

Patent misuse is derived from the doctrine of unclean hands.<sup>101</sup> Unclean hands stands for the proposition that a plaintiff whose actions are "illegal[], . . . inequitable, unconscionable, or [performed in] bad faith," in "connect[ion] to the case" should be barred from the court's relief on principles of fairness.<sup>102</sup>

Unclean hands was developed "not as a protection to the defendant, but as a disability to the plaintiff[.]"<sup>103</sup> In order for a plaintiff to be estopped, unclean hands requires that the action simply be *relevant or attributed to a current action*—general demeanor or actions will not support an application of the doctrine.<sup>104</sup> The standard of relevancy that applies to unclean hands

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ing innovation. For a unique perspective on this issue and its relation to the patent misuse doctrine, see Mark A. Lemley, *The Economic Irrationality of the Patent Misuse Doctrine*, 78 CALIF. L. REV. 1599, 1614 (1990) (arguing that receiving a patent only for it to be held unenforceable under the patent misuse doctrine makes the inventor worse off than if they had not ever pursued a patent).

<sup>100</sup> See *Princo I*, *supra* note 23, at 1315.

<sup>101</sup> Bensen, *supra* note 5; see also *U.S. Gypsum Co.*, 352 U.S. at 495 (stating patent misuse "is an extension of the equitable doctrine of 'unclean hands' to the patent field").

<sup>102</sup> T. Leigh Anenson, *Limiting Legal Remedies: An Analysis of Unclean Hands*, 99 Ky. L.J. 63, 64 (2011); see also *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 245 (1933) ("[W]henever a party who, as actor, seeks to set the judicial machinery in motion and obtain some remedy, [and] has violated conscience, or good faith, or other equitable principle, in his prior conduct, [will find] the doors of the court . . . shut against him . . ."); *Eresch v. Braecklein*, 133 F.2d 12, 14 (10th Cir. 1943) ("It is well settled that it is only fraud or willful misconduct which bars one from recovering in a court of equity under the maxim, '[h]e who comes into equity must come with clean hands.' The maxim refers to willful misconduct rather than merely negligent misconduct." (citing 20 C.J.S. *Equity* § 95a (1936))).

<sup>103</sup> *Farino v. Farino*, 450 N.Y.S.2d 593, 594 (N.Y. App. Div. 1982) (citing *Reiner v. N. Am. Newspaper Alliance*, 259 N.Y. 250, 256 (N.Y. 1932)); see *Word v. Remick*, 58 S.W.3d 422, 426 (Ark. Ct. App. 2001) ("[Unclean hands] is not applied to favor a defendant . . . but instead is invoked in the interest of the public on grounds of public policy and for the protection of the integrity of the court."). It has also been suggested that the doctrine of unclean hands acts as a punitive measure against the plaintiff engaged in wrongdoing himself. See *Busch v. Baker*, 83 So. 704 (Fla. 1920).

<sup>104</sup> See Anenson, *supra* note 102, at 64. Unclean hands has been generally applied only to actions of the plaintiff "directly related to the very issues in litigation." LOUIS ALTMAN & MALLA POLLACK, *CALLMAN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES* § 23.17 (4th ed. 2010); see *Flow Control Indus., Inc. v. AMHI, Inc.*, 278 F. Supp. 2d 1193, 1198 (W.D. Wash. 2003).



appears to be very different from that applied in patent misuse cases by the Federal Circuit, despite the fact that the one doctrine is derived from the other.<sup>105</sup>

As previously noted, the en banc majority in *Princo* based its opinion on the rationale that the Lagadec patent was not the patent in suit, and therefore could not be the basis for a successful misuse allegation because the Lagadec patent was not leveraged by Philips.<sup>106</sup> This was despite the en banc panel's recognition that Princo made allegations that Philips was in fact leveraging the Raaymakers patents to suppress the Lagadec technology. As also discussed, the leveraging standard has no basis in Supreme Court precedent; instead, it is a product of the Federal Circuit.

Rather than developing and applying this new standard, the Federal Circuit should merely look to the source of the patent misuse doctrine for the appropriate standard to apply. This would lead courts to the "relevancy" standard applied in cases where unclean hands is pled as an affirmative defense. This application of the patent misuse doctrine would encompass all conduct relevant to the subject matter of the case, such as conduct properly attributed to any patent in a tying agreement, not just the patent in suit.<sup>107</sup> This is appropriate considering that often many patents are "part and parcel" of the same course of conduct, rather than just the mere patent in suit.<sup>108</sup> Thus, as applied in *Princo*, the Lagadec patent would be relevant in a suit brought to enforce the Raaymakers patents. It is nonsensical that one patent would stand alone in an infringement action when it is being marketed in a package of many patents to licensees.<sup>109</sup>

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<sup>105</sup> See, e.g., *Richdel, Inc. v. Sunspool Corp.*, 714 F.2d 1573, 1580 (Fed. Cir. 1983) (finding that once the patent in suit was deemed invalid, there was no longer any reason to consider the issue of patent misuse); *Eversharp, Inc. v. Fisher Pen Co.*, 204 F. Supp. 649, 674 (N.D. Ill. 1961) ("The defense of patent misuse is available only where there has been a misuse of the patents in suit.").

<sup>106</sup> See *supra* note 34 and accompanying text.

<sup>107</sup> Under the more expansive unclean hands standard, a patent in a tying agreement would be vulnerable to a patent misuse defense because defendants would only have to show that the patent in the tying agreement bears some relation to the patent in suit, rather than actually being the patent in suit, in order to apply the patent misuse doctrine. See *Slidell, Inc. v. Millennium Inorganic Chems., Inc.*, 460 F.3d 1047, 1058 (8th Cir. 2006) (finding that, for unclean hands to apply, the "inequitable conduct must bear some relation to the merits of the case").

<sup>108</sup> See *Joe Westbrook, Inc. v. Chrysler Corp.*, 419 F. Supp. 824, 835 (N.D. Ga. 1976) (holding that the "Chrysler-Plymouth trademark [was not] a separate tying product, but rather, part and parcel of the" whole). In fact, this is one argument that the dissent in *Princo* relies upon in their assertion that the Raaymakers and Lagadec patents should be considered as one in an action for infringement because the agreement by Sony and Philips was with regards to both patents, not only the Raaymakers patents. *Princo Corp. v. Int'l Trade Comm'n*, 616 F.3d 1318, 1346 (Fed. Cir. 2010) (en banc) (Dyk, J., dissenting), *cert. denied*, 131 S. Ct. 2480 (2011). Additionally, the dissent in *Princo* took the position that patents in pooling agreements were also "part and parcel" to the patent in suit. See *id.* at 1348-49.

<sup>109</sup> See *Princo Corp.*, 616 F.3d at 1348 (describing the agreement that jointly suppresses

Originally, in order to establish the misuse defense, the alleged infringer need not show that he individually suffered harm by the activity<sup>110</sup>—the defendant need only establish that the plaintiff had engaged in wrongful conduct associated with the patent.<sup>111</sup> Courts have also accepted that inequitable conduct outside of the licensing activity itself or the scope of the patent in suit can establish the misuse defense.<sup>112</sup> Therefore, the Federal Circuit should cease its narrowing of the misuse doctrine's application and return the doctrine's strength to its prior state. This can be accomplished if the Federal Circuit adopts the appropriate standard for misuse cases, which should be the same standard applied to the doctrine of unclean hands.

*C. Courts Should Adopt a More Expansive Doctrine to Rein In Intellectual Property Licensing Practices and Ensure Compliance with the U.S. Constitution.*

Allowing such anticompetitive concerted action to continue unchecked by intellectual property law stifles the development of technology, which in turn undermines the express purpose of the Patent Clause.<sup>113</sup> By allowing a *Princo*-type agreement to go unexamined, the Federal Circuit affords other co-conspirators the opportunity to suppress technology within their own fields.<sup>114</sup> This directly contradicts our forefather's intention of facilitating progress in the fields of art and science as enumerated in the Patent Clause.<sup>115</sup>

As discussed *supra*, the *Princo* majority opinion has been described as “emasculating” the patent misuse doctrine, rendering it superfluous against the antitrust law regime.<sup>116</sup> Some scholars have indicated their

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Lagadec technology and allowed the successful marketing of Raaymaker Technology).

110 DONALD S. CHISUM, CHISUM ON PATENTS § 19.04 (2010); see *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 493 (1942) (stating “the successful prosecution of an infringement suit even against one who is not a competitor in such sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article”); *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 979 (4th Cir. 1990) (“[A]nalogizing to patent misuse, the defense of copyright misuse is available even if the defendants themselves have not been injured by the misuse.”).

111 See *Mercoird Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 669–70 (1944) (finding that, because of the public's interest in preventing wrongful conduct through the misuse defense, defendant is not barred by *res judicata* from relying upon the defense); *Morton Salt Co.*, 314 U.S. at 494 (finding that the plaintiff's “conduct . . . disqualifies him [from] maintain[ing] the suit. . . .”); *B.B. Chem. Co. v. Ellis*, 314 U.S. 495, 498 (1942) (holding that the right to enforce a patent can be regained once the improper practice is abandoned).

112 See CHISUM, *supra* note 110, § 19.04[5] n.2.

113 See U.S. CONST. art. I, § 8, cl. 8 (“To promote the Progress of Science and useful Arts . . .” (emphasis added)).

114 Bohannon & Hovenkamp, *supra* note 89, at 23 (noting that “[b]lanket legality for concerted refusals to license patents, and unused patents in particular, would have serious implications for competition and innovation”).

115 U.S. CONST. art. I, § 8, cl. 8.

116 See *supra* Part I; see also *USM Corp. v. SPS Techs., Inc.*, 694 F.2d 505, 511 (7th Cir.

desire for a narrowing of the doctrine, or at least additional clarity.<sup>117</sup> Others have criticized the doctrine, advocating for a limitation of its application to the realm of antitrust law.<sup>118</sup>

Some argue, however, for a much broader application of the patent misuse doctrine, allowing misuse to be a form of foreclosure on intellectual property rights.<sup>119</sup> In particular, Bohannon argues that intellectual property is in desperate need of a "coherent misuse doctrine, grounded in IP policy, to prevent overreaching by patent and copyright holders."<sup>120</sup> After *Princo*, the misuse doctrine will not provide for appropriate redress, specifically in instances where there is a violation of only intellectual property law, and not antitrust law.<sup>121</sup>

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1982) ("Since the antitrust laws as currently interpreted reach every practice that could impair competition substantially, it is not easy to define a separate role for a doctrine also designed to prevent an anticompetitive practice—the abuse of a patent monopoly.").

117 The trend towards achieving clarity has always been at the forefront of case law surrounding the patent misuse doctrine, which is one of the reasons that the misuse doctrine is heavily grounded in antitrust law, as opposed to IP policy. See Bohannon, *supra* note 2, at 477. For examples of applications of antitrust law in patent misuse cases, see, e.g., *United States v. Loew's Inc.*, 371 U.S. 38 (1962); *Int'l Salt Co. v. United States*, 332 U.S. 392 (1947); *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488 (1942).

118 Lemley, *supra* note 99, at 1628. But the assertion that the patent misuse doctrine should not exist outside of the antitrust laws seems most interesting given that the doctrine was initially developed apart, and distinct, from antitrust law. See Jere M. Webb & Lawrence A. Locke, *Intellectual Property Misuse: Developments in the Misuse Doctrine*, 4 HARV. J.L. & TECH. 257, 262 (1991). The misuse doctrine was once reserved only for intellectual property lawyers and scholars; however, as Webb and Locke have observed, the expansion of the misuse doctrine within the field of intellectual property and concurrent changes in antitrust law have led many scholars and even courts to question whether the misuse doctrine has any continued viability apart from antitrust law. *Id.* at 264. Consider, for example, the following statement of Judge Posner: "If misuse claims are not tested by conventional antitrust principles, by what principles shall they be tested?" *USM Corp.*, 694 F.2d at 512 (concluding that misuse in fact must be tested by antitrust principles).

119 Bohannon, *supra* note 2, at 475. Surprisingly, this stance is not entirely new and highlights the rising tension between the antitrust regime and patent law. "The misuse doctrine . . . should remain a viable, equitable doctrine, distinct from antitrust principles and analysis, because antitrust and misuse principles address different policy considerations." Webb & Locke, *supra* note 118, at 264 (pointing out that the misuse doctrine is concerned with discouraging exploitation of patented property by the IP owners and distinguishing this from antitrust laws by arguing that antitrust laws are concerned more with "injury to the market environment"). Critics of the misuse doctrine, however, maintain that without considering antitrust policies in reference to the misuse doctrine, there will be less incentive to innovate. *Id.* It is important to connect this perspective to the fundamental idea that "the primary purpose of [federal] patent laws is not the creation of private fortunes for the owners of patents but is 'to promote the progress of science and useful arts.'" *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917) (citing U.S. CONST. art. I, § 8, cl. 8); see also Lemley, *supra* note 99, at 1628 (suggesting that "the differences between the patent misuse doctrine and the antitrust laws justify the continued existence of both").

120 Bohannon, *supra* note 2, at 525.

121 *Id.* at 526.

Misuse should be applied under a broader standard to rein in practices of patent owners and prevent the “foreclosure of competition, innovation, or access to the public domain.”<sup>122</sup> This wide application of the misuse doctrine will ensure that owners are not using their rights to violate the underlying policies of intellectual property law and the Patent Clause of the US Constitution. Bohannon’s argument for this expansive misuse doctrine is grounded in the Court’s earlier opinions, which demonstrated “a strong concern, *grounded in intellectual property policy*, for limiting ‘monopoly’ rights over intellectual property.”<sup>123</sup> This concern is separate and distinct from that of the *Princo* majority’s, which emphasized antitrust policies including “price and output effect of monopolistic conduct.”<sup>124</sup>

Logically, a doctrine born of intellectual property law, with ancillary ties to antitrust law, should be based on intellectual property doctrines and policies—not antitrust. In addition, the doctrine should be upheld and applied by courts to ensure that the clear and express language of the United States Constitution is being enforced.

#### CONCLUSION

The courts are currently at a crossroads with the doctrine of patent misuse.<sup>125</sup> The Federal Circuit’s decision decimated the existence of an expansive doctrine by focusing the application of the misuse doctrine on an inappropriate “leveraging” standard. This standard directly contradicts Supreme Court precedent and appears insurmountable, particularly given *Princo*’s specific allegations. This fate is untenable given the period in which the patent misuse doctrine was created, the considerable expansion

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<sup>122</sup> *Id.*

<sup>123</sup> *Id.* at 497. The underlying policies of intellectual property focus on “potential effects on innovation and access to the public domain.” *Id.*

<sup>124</sup> Compare *Princo Corp. v. Int’l Trade Comm’n*, 616 F.3d 1318, 1329 (Fed. Cir. 2010) (en banc), cert. denied, 131 S. Ct. 2480 (2011), with Bohannon, *supra* note 2, at 497.

<sup>125</sup> See *C.R. Bard, Inc. v. M3 Sys. Inc.*, 157 F.3d 1340, 1373 (Fed. Cir. 1998) (“Although the defense of patent misuse indeed evolved to protect against ‘wrongful’ use of patents, the catalog of practices labelled [sic] ‘patent misuse’ does not include a general notion of ‘wrongful’ use.”); see also *Kolene Corp. v. Motor City Metal Treating, Inc.*, 440 F.2d 77, 84–85 (6th Cir. 1971) (explaining that the misuse must be of the patent in suit and that “[a]n antitrust offense does not necessarily amount to misuse merely because it involves patented products or products which are the subject of a patented process”); *McCullough Tool Co. v. Well Surveys, Inc.*, 395 F.2d 230, 238–39 (10th Cir. 1968) (noting that the defense of patent misuse has been allowed “only where there had been a misuse of the patent in suit”). *Contra Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100 (1969) (holding that “conditioning the grant of a patent license upon payment of royalties on products which do not use the teaching of the patent does amount to patent misuse.”); *Compton v. Metal Prods., Inc.*, 453 F.2d 38, 46 (4th Cir. 1971) (holding that patent misuse occurred and that the patent was unenforceable when the patentee agreed to limit his own freedom of action by entering into agreement to not compete for twenty years).

for which the Supreme Court is responsible, and the policies underlying the doctrine.

The patent misuse doctrine is derived from the doctrine of unclean hands; therefore, it is logical that the patent misuse doctrine would be best served by adopting the same standard that applies to unclean hands, a "relevant to the underlying action" standard. This would work to harmonize the two doctrines and would also allow courts to rein in abusive conduct associated with intellectual property laws, ensuring that those obtaining intellectual property rights are not inhibiting progress and innovation.